ESTTA Tracking number: **ESTTA192029**
Filing date: **02/11/2008**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92047581
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Attachments	Reply in Supp of Petitioner MSJ (Actibiol S A).pdf (12 pages)(395807 bytes)

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
TRADEMARK TRIAL AND APPEAL BOARD

ACTIBIOL, S.A. Petitioner, v. MOR-NUTECH, INC. Registrant.	Cancellation No. 92047581 T.M. : CAPSOL-T R.N. : 3,149,821 **REPLY IN SUPPORT OF PETITIONER'S MOTION FOR SUMMARY JUDGMENT**

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PETITIONER ACTIBIOL, S.A.'S REPLY IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT

I. INTRODUCTION

Petitioner Actibiol, S.A. ("Actibiol") respectfully requests that the Board consider this reply brief in support of Actibiol's motion for summary judgment.[1] As explained briefly below, U.S. Trademark Application Serial No. 78/528,700 ("the '700 Application") for CAPSOL-T suffers from two defects that render the application and the resulting registration ("the '821 Registration") void. Registrant Mor-Nutech, Inc. ("Mor-Nutech") is unable to refute Actibiol's showing that the Statement of Use in the '700 Application was filed in the name of the wrong entity, and that the Assignment of the '700 Application did not transfer any ongoing business along with the trademark application. Actibiol therefore requests that the Board grant Actibiol's Motion for Summary Judgment and cancel the '821 Registration.

II. THE FACTS SHOW THAT APPLICANTS FILED AN IMPROPER STATEMENT OF USE

The facts relevant to this ground of cancellation are truly undisputed. Mor-Nutech "agrees with the Statement of Undisputed Facts set forth in Petitioner's Motion for Summary Judgment." Opposition Brief filed by Mor-Nutech ("Opp. Brief") p.2. Accordingly, the following facts are undisputed:

1. The '700 Application was filed by two individuals, Dorothy and James Morre.
2. There was no discrepancy in the '700 Application as to the identity of the applicant; Dorothy and James Morre were the two individual applicants.
3. The '700 Application was filed under section 1(b).
4. Dorothy and James Morre assigned the '700 Application to Mor-Nutech on June 8, 2006.
5. Dorothy and James Morre submitted a Statement of Use attesting to their use of the

[1] Actibiol's opposition to Registrant's cross-motion for summary judgment will be set out in a separate paper.

trademark on June 26, 2006, when they were no longer owners of the application.

Mor-Nutech's opposition brief essentially concedes that the Statement of Use was filed in the name of the wrong party, but asks the Board to forgive this mistake because Mor-Nutech used the TEAS electronic filing system. Mor-Nutech does not cite any precedent that an electronic filing, in accordance with the USPTO's preference for use of the TEAS system, is exempt from the requirement that "[t]he party filing the statement of use must be the owner of the mark at the time the statement is filed." Trademark Manuel of Examining Procedure ("TMEP") §1109.10 (emphasis added).

Mor-Nutech explains in its brief that "[t]he Statement of Use was filed by the record owners of the trademark reflected in the Patent and Trademark Office TEAS system records for the application when the Statement of Use was filed...." Opp. Brief p.3. This is of course the fatal flaw in the application, because the record owners in the TEAS system were not the true owners of the application at that time. Mor-Nutech attempts to explain that the Statement of Use was filed in the wrong name because the TEAS system should have automatically updated the name of the owner when the Assignment was filed on the same day. Opp. Brief p.3. But Mor-Nutech is conflating two very different procedures. Updating an owner's name in the USPTO records, by recording an assignment, is not the same act as filing a statement of use. Recording an assignment is simply a procedural step to bring the USPTO's records up to date. By contrast, filing a statement of use in the name of the true owner is a substantive requirement for 1(b) applications.

The filing of a statement of use by the true owner is a substantive requirement put in place to make sure that the true owner of the application is actually using the mark in commerce. In order to avoid the trafficking of section 1(b) trademark applications, substantive requirements were put in place to make sure these trademarks are actually used in connection with a business, and that they stay with that business at all times. See TMEP §501.01(a). Thus, the requirement that the true owner file a statement of use cannot be lightly brushed aside as a procedural loophole. It is a true substantive requirement of obtaining a registration from a 1(b) application.

Essentially, Mor-Nutech's position is that the Statement of Use was proper, even though filed in the name of the record owners rather than the true owner, because the Assignment was filed with the USPTO on the same day. Opp. Brief p.3. Mor-Nutech assumes that by filing the Assignment, the USPTO would do two things -- first, it would update the name of the owner in the USPTO records, and second, it would automatically change the name of the party who submitted the Statement of Use. That first step is procedural, and proper for the USPTO to do. But the second step would substantively replace one entity with another in the Statement of Use. Mor-Nutech is asking the USPTO to substantively re-write the Statement of Use, replacing one entity with another, at the same time that the name of the applicant in the USPTO records is updated. Of course, as set out clearly in *In re Colombo* and in the TMEP, the Trademark Office will not substitute one entity for another in a Statement of Use. *In re Colombo*, 33 U.S.P.Q.2D 1530 (Commr. of Patents and Trademarks 1994); TMEP §1109.10.

The fact that the Assignment was filed on the same day as the Statement of Use cannot remedy the substantive error in the Statement of Use. The date that the Assignment was filed with the USPTO is irrelevant. The important date is the date the Assignment was executed. It was executed on June 8, 2006. As of that date, Mor-Nutech was the true owner of the application. The Statement of Use was filed by the previous owners on June 26, 2006. These facts are undisputed, and they are fatal to the trademark application and subsequently issued registration.

Mor-Nutech is correct that by filing the Assignment on the same day as the Statement of Use, USPTO records would be updated to show Mor-Nutech as the record owner. But the TEAS system's automatic update of the owner's name does not automatically change the substance of the Statement of Use.

Mor-Nutech also argues that the filings were proper because the Statement of Use was actually accepted after the Assignment was recorded. Opp. Brief p.4. Mor-Nutech argues that "when the Statement of Use was evaluated by the Trademark Office Examiner, the record reflected Mor-NuTech, Inc. as the applicant...." Opp. Brief p.4. But that is precisely the

problem. Mor-Nutech was the applicant and new owner, but Dorothy and James Morre were the ones attesting to use of the trademark. The true owner never filed a Statement of Use.

Mor-Nutech cannot distinguish the *Colombo* case, except by noting that the TEAS electronic filing system was not yet in place during *Colombo*. Opp. Brief p.5. Otherwise the facts of the cases are almost identical. In *Colombo* as here, the statement of use was filed in the name of the wrong entity, causing the application and subsequent registration to be void.

Finally, Mor-Nutech argues that there was simply nothing it could do when Dorothy and James Morre filed the Statement of Use, because the TEAS system had not yet automatically updated with the new owner's name. Opp. Brief. p.5. But it is very clear what Mor-Nutech should have done. Mor-Nutech should have filed a Statement of Use asserting that Mor-Nutech was using the trademark in commerce -- regardless of whether or not USPTO records had been updated to reflect Mor-Nutech as the record owner. Regardless of the USPTO records, Mor-Nutech was the true owner, and thus Mor-Nutech should have filed the Statement of Use. This scenario is explicitly discussed in the TMEP, and thus there is no reason that Mor-Nutech should have been confused. According to the TMEP, "[i]f the party filing the statement of use is the owner at the time of filing" (as Mor-Nutech was on June 26, 2006) "but the records of the Office show title in another party" (as the USPTO records did on June 26, 2006, showing title in Dorothy and James Morre) "the examining attorney must require the applicant to submit evidence to establish chain of title." TMEP §1109.10. Thus, Mor-Nutech should have filed the Statement of Use on June 26. The USPTO would have noted that the record owners were two individuals, and would have required proof that Mor-Nutech was the new owner. Mor-Nutech could supply that proof by recording the Assignment.

Mor-Nutech was not put in a unique or unfortunate position due to the TEAS system. Instead, Mor-Nutech was faced with a common scenario directly addressed by the TMEP. The scenario was this: the application was assigned prior to the filing of a Statement of Use. As the TMEP makes clear, the true owner needed to file a Statement of Use, and the chain of title needed to be updated by recording the assignment. That is not what Mor-Nutech did. Mor-

Nutech never filed a statement of use. The statement of use was filed by the previous owners, attesting to their use of the trademark, but they no longer owned the application at that time. The statement of use is therefore invalid. A valid statement of use was not filed within the statutory time period, and as a result, the '821 Registration is invalid and should be cancelled.

III. THE FACTS SHOW THAT APPLICANTS MADE AN IMPROPER ASSIGNMENT OF AN INTENT-TO-USE APPLICATION

Mor-Nutech agrees that the following facts are undisputed:

6. Mor-Nutech is an Indiana corporation that was created on February 23, 2004.
7. James Morre is the President of Mor-Nutech.
8. Mor-Nutech entered into a license agreement with Scientific Motive Systems, Inc. ("SMS") on August 24, 2004 relating to two other trademarks.
9. Mor-Nutech amended its license agreement with SMS on September 28, 2006, licensing SMS to use the trademark "CAPSOL-T", and backdating the agreement to make it retroactively effective to the date of first use of CAPSOL-T.
10. The only use of the CAPSOL-T trademark has been by SMS.
11. The first use of CAPSOL-T was on June 5, 2006.

Once again, the undisputed facts make clear what happened during the prosecution of the '700 Application. Mor-Nutech does not dispute that the individual applicants, Dorothy and James Morre, assigned the '700 Application to Mor-Nutech on June 8, 2006, when the application was still a 1(b) application. The question is whether Dorothy and James also transferred an existing business to Mor-Nutech when they transferred the trademark application. The undisputed facts show that they did not.

Actibiol first notes that Mor-Nutech's opposition brief relies on an incorrect statement of law. Mor-Nutech states that "Section 1060(a)(1) is not applicable to situations such as the present case in which the mark has already been used", Opp. Brief p.6, and "[t]he statute is applicable only to transfers where the mark has not been used...", Opp. Brief p.7. That is simply not true. Section 1060(a)(1) is not limited to marks that have not yet been used. All trademark

applications filed under section 1(b) are subject to the limitations of section 1060(a)(1), which states that "no application to register a mark under section 1(b) shall be assignable prior to" an amendment to allege use or a statement of use, "except for an assignment to a successor...." This statutory section applies to all 1(b) applications, including Mor-Nutech's. The statute prohibits assignments of 1(b) applications (except to a successor) before the filing of an amendment to allege use or a statement of use. Mor-Nutech's opposition brief rests on a fundamental misunderstanding of this rule.

Given that section 1060 applies to the '700 Application, Mor-Nutech has to find some way to explain how a transfer of an ongoing business could have taken place when the Assignment was executed. Mor-Nutech first argues that a transfer took place because the Assignment document states that "ASSIGNEE is assuming the business of ASSIGNORS that pertains to the above trademark." Opp. Brief p.6. But just saying these words does not make them true, and does not effect a real transfer. The simple recitation of formulated language in the Assignment document does not actually cause a transfer of an ongoing business. As explained below, no real transfer of business took place when this Assignment document was signed.

As Actibiol explained in its Motion for Summary Judgment, a license agreement between Mor-Nutech and SMS shows that Mor-Nutech was operating the CAPSOL-T business from the very beginning, from the very first use of CAPSOL-T. The license agreement grants a license from Mor-Nutech to SMS for the use of CAPSOL-T. This license is retroactively dated as of the first use of CAPSOL-T on June 5, 2006. As of June 5, 2006, Mor-Nutech was licensing SMS to use CAPSOL-T. This of course means that Dorothy and James did not transfer any business to Mor-Nutech when they assigned the trademark on June 8, because Mor-Nutech was already operating the business.

Mor-Nutech tries to explain this away by rewriting its license agreement. Mor-Nutech argues that the license "should be interpreted as being retroactive to 'the date of first use of the mark by Mor-Nutech,' i.e., June 8, 2006." Opp. Brief p.8. But the license document itself states that it "is made retroactively effective to the date of first use **by Scientific Motive Systems, Inc**.

of the first used [sic] of the Trademarks CAPSIBIOL, CAPSIBIOL-T and CAPSOL-T." (emphasis added). The document is crystal clear as to whose first use sets the retroactive date. The license is dated on the first use of CAPSOL-T by SMS. Mor-Nutech cannot seriously argue that this document should be interpreted to state "the date of first use by Mor-Nutech" when it explicitly states "the date of first use by SMS."

Accordingly, Mor-Nutech licensed SMS to use CAPSOL-T as of June 5, 2006. This date is undisputed. Mor-Nutech was already operating the CAPSOL-T business when the two individuals assigned the trademark to Mor-Nutech on June 8. Any alleged oral license between the two individuals and SMS is irrelevant, as it does not change the fact that Mor-Nutech was licensing SMS to use CAPSOL-T as of June 5, and thus Mor-Nutech was already operating the business as of June 5. The assignment dated June 8 was a bare transfer of the trademark application only, with no other assets, goodwill, or business attached. As such, it was a transfer in violation of section 1060, and it renders the '821 Registration void.

IV. ADDITIONAL DISCOVERY IS NOT NEEDED

Mor-Nutech mentions very briefly in its opposition brief that the Board should deny Actibiol's motion in order to allow further discovery under Rule 56(f) because Mor-Nutech has not yet received Actibiol's discovery responses. Further discovery is not necessary to rule on this motion, as all of the facts are undisputed. Moreover, all of the facts relevant to this motion are facts about the procedural history of the '821 Registration. Actibiol's discovery responses would not shed any additional light on the history of the '821 Registration. Thus, further discovery is not necessary in order for the Board to decide this motion.

V. CONCLUSION

For the reasons give above, the '700 Application is void for errors in the prosecution of the application. Actibiol respectfully requests that this motion be granted, that Actibiol's fourth and fifth grounds for cancellation be sustained, and that the '821 Registration be cancelled.

Respectfully submitted,

DATED: February 11, 2008

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Docket No. 110.2*2/A902

CERTIFICATE OF MAILING AND SERVICE

I certify that on February 11, 2008, the foregoing **REPLY IN SUPPORT OF PETITIONER'S MOTION FOR SUMMARY JUDGMENT** is being deposited with the United States Postal Service by first-class mail addressed to:

Commissioner for Trademarks
P.O. Box 1451
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It is further certified that on February 11, 2008, the foregoing **REPLY IN SUPPORT OF PETITIONER'S MOTION FOR SUMMARY JUDGMENT** is being served by mailing a copy thereof by first-class mail addressed to:

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